

PART 2 INDEPENDENT GROUPS

Chapter 15: Other Republican Groups

The Committee's investigation of independent groups focused mainly on a handful of organizations that played an active role in the 1996 election cycle, and the results of this investigation are summarized in earlier chapters of the Minority Report. This chapter includes brief examinations of other nonprofit groups with ties to the Republican National Committee, Republican donors, and Republican presidential candidates.

Although these groups were not investigated in depth, the Committee did receive some documents, pursuant to subpoenas, from nonprofit organizations connected to the presidential candidates. Some of the organizations discussed in this chapter are also mentioned in documents provided to the Committee by the Republican National Committee.

SENIORS ORGANIZATIONS

Documents produced to the Committee by the Republican National Committee reveal that the RNC closely coordinated with a number of ostensibly nonpartisan organizations during the 1996 election cycle, including senior citizens' organizations. For example, on March 20, 1996, two RNC officials sent a memo regarding the party's ties to senior citizens' organizations. One portion of the memo discusses a "Senior Republican Network Conference" scheduled for June 8. According to the memo, one of the goals of the conference was "Establishment of good relationships with major conservative senior groups: 60 Plus, United Seniors, and Seniors Coalition. Explore ways in which we can work together during the campaign."¹

Ten days later, the Seniors Coalition was mentioned in a follow-up memo. According to this memo, the Seniors Coalition was "very interested in sponsorship of our [Republican] conference. They offered to help take on some financial obligations as well. They asked us to determine where they think they should do their next poll (Kellyanne has done research in CA & FL on how Medicare and senior issues are playing). They indicated a willingness to give us some input into the questions asked as well."²

The Seniors Coalition, which apparently coordinated with the RNC, disseminated a press release during the presidential campaign which appears to have been aimed at assisting Republican candidate Bob Dole. On March 11 -- the day before the Florida primary -- the organization announced the results of a survey of Florida senior citizens. The press release was headlined: "Florida seniors reject Clinton's leadership, lack of optimism about the future according to poll conducted by the Seniors Coalition." The lead sentence read: "A new poll of seniors in Florida may spell trouble for the White House."³

A careful reading of the press release makes clear that the Florida seniors who responded

to the survey were much more favorably disposed to Clinton than the headline and lead sentence suggested. For example, 39 percent said that Clinton best represents the concerns of senior citizens, compared with 38 percent for Dole. An equal percentage of respondents -- 44 percent -- favored Clinton and Dole. Since the margin of error was plus or minus 4.7 percent, it is possible that Clinton was actually favored by Florida seniors.

Another group mentioned in RNC memos, the United Seniors Association, was also active during the 1996 campaign. The organization "spent \$3 million on a direct mail and media campaign to rebut Democratic and union Medicare claims," according to a study of issue advocacy in 1996. "The targeted states were Oklahoma, Iowa, Nebraska, Kentucky, Washington state, Arizona and Wisconsin."⁴

The Seniors Coalition and the United Seniors Association are both registered with the Internal Revenue Service as tax-exempt, 501(c)(4) "social welfare" organizations, and they have portrayed themselves as bona fide grassroots organizations -- conservative versions of the American Association of Retired Persons. However, several critics have characterized them as organizations that serve mainly to enrich professional fundraisers. In the early 1990s, for example, these groups were criticized by then-Representative Andy Jacobs (Ind.), the Democratic chairman of the Subcommittee on Social Security of the House Ways and Means Committee as well as the committee's ranking Republican, Jim Bunning (Ky.). "The motive of these groups," said Representative Bunting, "is to raise money."⁵

The Seniors Coalition was founded by Dan C. Alexander, Jr., who had been convicted of extortion in 1987 and sentenced to 12 years in prison (he served 51 months).⁶ Alexander worked closely with Richard Viguerie, a prominent direct-mail fundraiser who has founded and/or worked for several seniors groups, including the Seniors Coalition, the United Seniors Association, and 60 Plus.

In late 1992, Alexander was forced out of the Seniors Coalition after the board found evidence of financial irregularities.⁷ A new CEO was installed⁸ and the group improved its image. After the mid-term elections of 1994, Republican congressmen invited officials of the Seniors Coalition to testify before congressional committees.⁹ When, in 1995, House Speaker Newt Gingrich announced the Republicans' Medicare reform policy, he did so at a conference sponsored by the Seniors Coalition.¹⁰

But the Seniors Coalition's growing visibility was not entirely appreciated by several mainstream seniors organizations. At a May 1994 press conference, representatives of the American Association of Retired Persons and the National Council of Senior Citizens sharply criticized the Seniors Coalition and two other conservative groups: the United Seniors Association and the American Council for Health Care Reform. According to these critics, the conservative seniors groups, including the Seniors Coalition, did not accurately portray political issues, but instead sent false and misleading "fright mail" to seniors. For example, a mass mailing by the Seniors Coalition made the unsubstantiated claim that "Bill Clinton plans. . .less medical

treatment for seniors" because he believes that "if more seniors die at a younger age, then there will be less overall spending on health care."¹¹

The Seniors Coalition's credibility suffered a further setback in January 1996, when the Virginia Supreme Court ruled that the ouster of Dan Alexander was invalid.¹² After the ruling, allies of his regained control of the organization.¹³ Alexander's return prompted several executives and lobbyists to resign from the organization.¹⁴ Even in the eyes of some Republicans, the Seniors Coalition was not a credible organization. For example, James E. Miller, a Washington lawyer who had worked with the Seniors Coalition in the past, told the National Journal: "The Republicans can't possibly want to associate themselves with the group at this point."¹⁵

But other Republicans were willing to work with the Seniors Coalition. Steven D. Symms, a former Republican Senator from Idaho, was appointed chairman of the Seniors Coalition's board of advisers.¹⁶ Stan Parris, a former Republican Representative from Virginia, became chairman of the coalition's congressional affairs committee.¹⁷ During the 1996 campaign, as noted above, the RNC worked closely with the Seniors Coalition, in spite of its background involving criminal activities and despite the coalition's claims to be a nonpartisan social welfare organization.

TERM-LIMITS GROUPS AS FRONTS FOR GOP DONORS

Since the 1980s, several political activists have called for limits on the number of terms that elected officials can serve in office. Some of the individuals and groups who favor term limits are nonpartisan. Others, however, use the term-limits issue as a partisan weapon, despite claiming to be nonpartisan organizations. Two groups in this category are U.S. Term Limits and an affiliated organization called Americans for Limited Terms.

These groups were not subjects of the Committee's investigation. They are mentioned here because the Committee learned that they may have been backed by conservative donors who financed groups that were investigated by the Committee. If these organizations conducted partisan political activity, even while claiming to be nonpartisan, tax-exempt groups, they served as ways for GOP donors to support Republican candidates without adhering to the disclosure requirements or contribution limits of the federal election laws. In such cases, the donors and the term-limits groups exploited the "issue advocacy" loophole in order to circumvent the election laws and the groups themselves may have violated their tax-exempt status. (U.S. Term Limits and Americans for Limited Terms are both tax-exempt, "social welfare" organizations, under section 501(c)(4) of the tax code.)

U.S. Term Limits, which was founded in 1992,¹⁸ asks federal candidates to sign a pledge promising that they will vote to limit House members to three two-year terms, and Senate members to two six-year terms.¹⁹

Americans for Limited Terms, which was established in 1994, conducts purported "issue advocacy" campaigns targeted at candidates who refuse to sign the U.S. Term Limits pledge. There are other links between the two organizations: They share a website on the Internet²⁰ and they use the same advertising agency.²¹ Moreover, a number of activists have been connected to both groups: ALT's founders include Howard Rich,²² the president of USTL,²³ and Paul Farago, a former USTL board member.²⁴

Although Americans for Limited Terms claims to be nonpartisan, most of its targets are Democratic candidates. During the 1994 election, according to the Wall Street Journal, ALT waged a "\$1.3 million mail and media campaign aimed primarily at Democrats. In only a handful of cases -- Maryland and Rhode Island, for example -- are Republican incumbents targeted." Nearly one fourth of that money -- \$300,000 -- was spent attacking Speaker Tom Foley.²⁵ In their book Dirty Little Secrets, Larry Sabato and Glenn Simpson noted that "ALT focused mainly on Democrats, despite the fact that many Republicans running were term limits opponents."²⁶ In their view, "It would be difficult to construe ALT's activities as anything other than direct campaign expenditures."²⁷ In 1996, according to the Kansas City Star, ALT spent \$1.8 million "in campaigns in Wisconsin, Texas, Illinois, North Carolina, Virginia, New Hampshire and Kansas, aiding chiefly Republicans."²⁸

Americans for Limited Terms does not identify any of its financial backers.²⁹ U.S. Term Limits reveals some of its larger donors, but does not provide complete information.³⁰ Despite the secrecy of these organizations, some information about their donors and fundraisers has emerged in the press, and it comes as no surprise that many of them are leading contributors to Republican candidates.

In November 1994, the Wall Street Journal reported that ALT and other term-limits organizations have received funding from individuals who also gave to GOPAC, the "leadership PAC" of House Speaker Newt Gingrich.³¹ For example, ALT donors Fred Sacher and K. Tucker Anderson had given more than \$350,000 to GOPAC.³² Sacher, a California businessman, has been a major donor to conservative causes over the years. Anderson, a portfolio manager in New York, gave "tens of thousands of dollars" to GOPAC, according to the Journal.³³

Both term-limits groups may have ties to oil executives Charles and David Koch who, as noted in earlier chapters of the Minority Report, are likely to have financed Triad and Coalition for Our Children's Future. U.S. Term Limits is a successor organization to Citizens for Congressional Reform, a term-limits group that was funded by the Koch brothers.³⁴ When CCR's ties to the Kochs were publicized in the early 1990s, the organization disbanded and its assets -- including its mailing list -- were acquired by USTL.³⁵ Several key figures in these pro-GOP term-limits groups have ties to the Cato Institute, a Libertarian think tank that has received millions of dollars from the Koch brothers over the years.

O Howard Rich, the president of USTL and a co-founder of ALT, served on Cato's board of directors.³⁶ (Rich is also a friend of Charles Koch.³⁷)

- O Ed Crane, Cato's president, has served on USTL's board.³⁸
- O K. Tucker Anderson, a major donor to ALT, has served on Cato's board.³⁹

U.S. Term Limits has denied that the organization received any money from the Kochs, according to a September 1996 press report.⁴⁰ Because Americans for Limited Terms refuses to disclose its donors, this leaves open the possibility that the Kochs provided funding to ALT.

Although it is not possible to identify the financial backers of Americans for Limited Terms, its extensive involvement in political campaigns demonstrates how easy it is for donors to assist the candidates of their choice by contributing to “nonpartisan” organizations involved in purported “issue advocacy” activities.

NONPROFIT GROUPS LINKED TO PRESIDENTIAL CANDIDATES

During the 1996 election cycle, three Republican presidential candidates may have used nonprofit organizations as shadow campaign vehicles. Two of the organizations were registered with the Internal Revenue Service as a tax-exempt “social welfare” organization, pursuant to section 501(c)(4) of the tax code. In exchange for this privileged status, such organizations are supposed to be nonpartisan and may not engage in political activity as their primary activity. One of the organizations was a 501(c)(3) charitable organization, which is allowed to receive tax-deductible contributions and is subject to even tighter curbs on political activity.

The three groups in question were:

- O the Better American Foundation⁴¹, a 501(c)(4) established in 1993 by then-Senator Bob Dole and disbanded in June 1995, just as Senator Dole was starting his official campaign organization;
- O the Republican Exchange Satellite Network,⁴² a 501(c)(4) affiliated with former Governor Lamar Alexander of Tennessee; and
- O the American Cause⁴³, a 501(c)(3) established by Patrick Buchanan in 1993.

In spite of their tax-exempt status, these three groups allegedly assisted the candidates by providing staff, paying for travel expenses, scheduling media events, conducting polling and issue research, and engaging in other activities normally associated with campaigns.⁴⁴ If these allegations are true, the three nonprofits were almost entirely political in nature and, thus, may have violated their tax status and the federal election laws, since none of them registered with the Federal Election Commission as a political organization.

CONCLUSION

The evidence before the Committee shows that a myriad of tax-exempt organizations assisted Republican candidates during the 1996 election cycle, serving variously as tools of Republican candidates, conduits for Republican donors, and money-making operations for conservative fundraisers. One thing they all had in common is that they violated the spirit -- and, in some cases, probably the letter -- of the federal tax and election laws.

If these de facto political organizations are not brought under control, they will be used even more extensively in future elections. It is possible, for example, that a single wealthy donor could influence the outcome of dozens of congressional races by channeling millions of dollars through tax-exempt organizations. If large donors are allowed to operate on that scale -- and with no disclosure and no accountability -- the campaign finance laws will be meaningless.

1 . Memo on RNC letterhead (Office of the Co-Chairman) from Howard and Phil to Judy, re Seniors Update, 3/20/96. R 33746-33758

The Minority staff believes that "Howard" is Howard Leach, who was the RNC's finance chairman at the time the memo was written. "Judy" is probably Judy Hughes, who was chief of staff to Evelyn McPhail, who was co-chairman of the RNC. "Phil" has not been identified.

2 . Memo on RNC letterhead (Office of the Co-Chairman) from Howard & Phil to Evelyn and Judy re Seniors Program, 3/30/96. R 033746

3 . Seniors Coalition press release dated 3/11/96

4 . Annenberg Public Policy Center of the University of Pennsylvania: "Issue Advocacy Advertising During the 1996 Campaign: A Catalogue," September 16, 1997, citing Washington Times, 11/4/96

5 . New York Times, 11/12/92

6 . New York Times, 11/12/92

7 . Los Angeles Times, 4/2/96

8 . National Journal, 1/27/96

9 . Molly Ivins column in Sacramento Bee, 8/26/95 (citing reporting by Jim Drinkard of Associated Press)

10 . Los Angeles Times, 4/2/96

11 . Des Moines Register, 5/27/94

12 . Los Angeles Times, 4/2/96

13 . Los Angeles Times, 4/2/96

14 . National Journal, 1/27/96

15 . National Journal, 1/27/96

16 . Idaho Statesman, 3/9/96

17 . National Journal, 1/27/96

18 . Omaha World Herald, 9/16/96.

19 . Associated Press, 8/2/96.

- 20 . Kansas City Star, 5/5/97.
- 21 . Kansas City Star, 5/5/97.
- 22 . Kansas City Star, 5/5/97.
- 23 . Roll Call, 9/22/94.
- 24 . Kansas City Star, 5/5/97.
- 25 . Wall Street Journal, 11/4/94.
- 26 . Sabato, Larry J. and Glenn R. Simpson. Dirty Little Secrets: The Persistence of Corruption in American Politics. New York: Times Books, 1996, p. 144, citing Wall Street Journal, 11/4/94.
- 27 . Sabato/Simpson, p. 144.
- 28 . Kansas City Star, 5/5/97.
- 29 . Kansas City Star, 5/5/97. (On 12/4/97, a Committee staff member telephoned Steve Merican, the president of ALT, and he confirmed that the organization does not disclose its donors.)
- 30 . Kansas City Star, 5/5/97.
- 31 . Wall Street Journal, 11/4/94.
- 32 . Sabato/Simpson, footnote on p. 372.
- 33 . Wall Street Journal, 11/4/94.
- 34 . Los Angeles Times, 10/31/92; Wall Street Journal, 8/25/83.
- 35 . Wall Street Journal, 8/25/93.
- 36 . Wall Street Journal, 11/4/94.
- 37 . Seattle Times, 11/1/92.
- 38 . Wall Street Journal, 8/25/93.
- 39 . Wall Street Journal, 11/4/94.
- 40 . Omaha World Herald, 9/16/96.

41 . Washington Post, 6/21/95, p. A1; Associated Press, 5/25/95 and 11/5/94.

42 . Associated Press, 6/21/95.

43 . Associated Press, 2/21/97 and 4/10/97.

44 . See, for example, Congressional Quarterly, 2/22/97.